



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 22, 2008

TO: Mayor and Councilmembers

FROM: Business Division, Waterfront Department

SUBJECT: Lease Agreement With Stearns Wharf Vintners/Coastal Winery

RECOMMENDATION:

That Council approve a one-year lease with a one-year option with Coastal Winery, Inc., doing business as Stearns Wharf Vintners, at an average rent of \$3,423 per month or ten percent of gross sales, whichever is greater, for a 890 square foot retail and food service space at 217-G Stearns Wharf.

DISCUSSION:

The lease agreement with Candace Scott, doing business as Stearns Wharf Vintners, expired on September 30, 2006. Ms. Scott has continued to occupy the space and operate the business, with the Department's approval, on a month-to-month holdover status. The Department previously had some concerns about the financial viability of the business; however, Ms. Scott has now formed a corporation known as Coastal Winery, Inc., with investors and business partners Matthew and Barbara Long.

Proposed Lease

The basic lease terms of the proposed lease are as follows:

- **Term:** One-year with a one-year option;
- **Base Rent:** Average base rent of \$3,423 per month (\$3.85 p.s.f.), subject to annual CPI increases (no change);
- **Percentage rent:** 10% of gross sales (no change);
- **Primary Specialty:** Tenant shall use the Premises as a store carrying wine, beer, juices, waters and related items and specialty foods; coffees, teas, cappuccinos and breads; agricultural products grown in Santa Barbara County. Property will be used in a similar manner as during the previous lease term.
- **Secondary Specialty:** Tenant shall also use the Premises for the sale of natural foods (nuts, dried fruits, snack foods and salt water taffy). Tenant may carry a variety of apparel that carries a design/logo featuring the name of the shop or Coastal Winery brand.

The proposed term is short (one year with a one-year option) to allow the Department to evaluate the performance of the tenant during the next two years. The base rent for Coastal Winery, Inc. has been changed to allow for a seasonal allocation of the base rent, which is consistent with the rent allocation of Stearns Wharf businesses occupying the multi-tenant buildings (Attachment 1).

The lease also allows the corporate entity, Coastal Winery, Inc., to sublease to Candace Scott, a sole proprietor, for the initial one-year term, to allow the business to continue to operate while the licenses from Alcoholic Beverage Control are transferred from Ms. Scott to Coastal Winery, Inc.

Candace and her partners Matthew and Barbara Long plan to improve the physical layout of the space by painting, replacing the flooring, and repositioning the bar seating area. They intend to upscale the business image from a wine bar to a wine tasting room, featuring their own trademarked Coastal Winery brand in addition to other wines. They also will start a wine club as is common for tasting rooms.

Staff has received a financial statement and credit report from the Longs. Since the lease is with a corporation, the parties have all signed the City's personal guaranty.

ATTACHMENTS: 1. Base rent schedule
 2. Site plan

PREPARED BY: Scott Riedman, Waterfront Business Manager

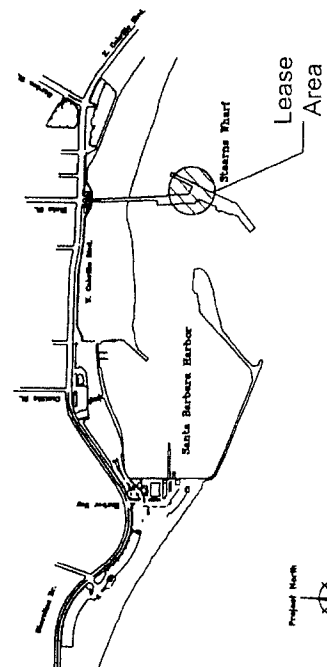
SUBMITTED BY: John N. Bridley, Waterfront Director

APPROVED BY: City Administrator's Office

Coastal Winery, Inc.

	Seasonal Base Rent	% of total
January	2,259.28	5.50%
February	2,259.28	5.50%
March	2,259.28	5.50%
April	4,587.03	11.17%
May	4,587.03	11.17%
June	4,587.03	11.17%
July	4,587.03	11.17%
August	4,587.03	11.17%
September	4,587.03	11.17%
October	2,259.28	5.50%
November	2,259.28	5.50%
December	<u>2,259.28</u>	<u>5.50%</u>
Total	41,077.85	100.00%
Avg /month	3,423.15	

ATTACHMENT #2

HARBOR VICINITY

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Exhibit A: Lease Area
Coastal Wineries, Inc.

REVIEWS		DATE: 04/11/06	APPROVED BY: S. Reidman	SEEN BY: J J
		ADDRESS	217 #G Stearns Wharf	S-CEI HQ
		1 of 1		
		DRAWING NO		
		City of Santa Barbara		
		Waterfront Department		
		2170-013		